

PUBLIC DISCLOSURE

February 24, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Putnam County Bank

05540650

P. O. Box 308

Hurricane, West Virginia 25536

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Putnam County Bank, Hurricane, West Virginia, prepared by the Federal Reserve Bank of Richmond, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of February 24, 1997. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under five performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated Satisfactory based on the findings presented in the following discussion of the institution's performance.

Putnam County Bank primarily serves the delineated community through direct lending. A full range of credit products is offered including residential mortgage, home improvement, mobile home, small business, commercial, consumer, and community development loans. Furthermore, a substantial majority of the bank's 1996 loans were originated within the delineated community and the distribution of lending was considered reasonable. The institution's fair lending practices, policies, and procedures are appropriate, and there is no evidence of disparate lending practices. Additionally, management's outreach efforts are indicative of its commitment to meet local credit needs and participate in community development endeavors.

SCOPE OF EXAMINATION

An evaluation of Putnam County Bank was conducted to assess CRA performance. The assessment was based on statements made by bank management and staff, minutes of the board of directors' meetings, various other bank records, and a discussion with a representative from a local development authority. The institution's performance was evaluated in the following categories: geographic distribution, marketing and types of credit offered and extended, community development, fair lending, and ascertainment of community credit needs. Procedures, policies, and other considerations were also evaluated to measure CRA performance.

PROFILE

DESCRIPTION OF THE INSTITUTION

Putnam County Bank operates its main office in Hurricane, West Virginia, and has two branches in Putnam County, West Virginia. As of December 31, 1996, the bank had \$350 million in assets of which 60% were loans. A wide variety of deposit and loan products is available through the institution, including loans for home purchase, home improvement, residential construction, consumer, and commercial purposes. The loan portfolio as of December 31, 1996, was 79% real estate secured (consumer and business), 13% consumer, and 7% business and agricultural.

The bank's average loan-to-deposit ratio for the previous six quarters is 59%. Since September 30, 1995, total loans have increased by 23% and deposits have grown by 2%. As of December 31, 1996, the loan-to-deposit ratio was approximately 65% and has steadily increased from 52% at the previous examination. The average loan-to-deposit ratio for banks headquartered in a metropolitan area of West Virginia and of similar asset size to Putnam County Bank is 85%.

REASONABLENESS OF DELINEATED COMMUNITY

The local community has been delineated to include Putnam County and portions of Cabell, Lincoln, and Mason Counties, West Virginia. Specifically, Cabell County includes census tracts 106 and 108; Lincoln County includes block numbering area (BNA) 9555; and BNA 9551 comprises the portion of Mason County delineated by the bank. This delineation appears reasonable, does not exclude low- and moderate-income neighborhoods, and meets the purposes of the regulation.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

Conclusion/Support

Putnam County is part of the Charleston Metropolitan Statistical Area (MSA), and Cabell County is included in the Huntington MSA. The delineated area has a population of 62,172. Thirteen census tracts are included in the bank's delineation, of which two are moderate-income, eight are middle-income, and three are upper-income. There are no low-income census tracts located within the delineated community. The chart below portrays the percentage of the population residing in moderate-, middle-, and upper-income census tracts within the assessment area.

Percentage of Population within the Delineation
by Income Level of Census Tract

Moderate-Income	Middle-Income	Upper-Income	Total
14%	64%	22%	100%

Additionally, the following table depicts area families by low-, moderate-, middle-, and upper-income levels.

Percentage of Families in the Delineated Community by Income Level

Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
21%	18%	21%	40%	100%

The institution has supported projects promoting economic growth consistent with its size, financial capacity, and location. Hurricane, West Virginia, is located in the west central portion of the state, midway between Charleston and Huntington, the two largest cities. Both counties have become suburban communities as a result of their proximity to the two urban centers.

The demand for housing remains strong as an increasing number of people choose to reside in the area and commute to either Charleston or

Huntington for employment opportunities. Major employers in the area include government agencies, chemical plants, and distribution facilities. The unemployment rates for Putnam, Cabell, Lincoln, and Mason Counties are 5.1%, 5.9%, 12%, 12.7%, respectively. The jobless rate for the State of West Virginia is 7.4%. There appear to be no restrictions on the bank's ability to provide credit to the community consistent with its human and financial resources.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

Conclusion/Support

The board of directors has adopted an expanded CRA Statement that describes the bank's commitment and efforts to ascertain and serve the credit needs of its local community. Board minutes reflect general discussions relating to CRA and the bank's efforts to insure technical compliance with the Act. CRA activities are presented monthly to the directorate.

CRA PERFORMANCE

I. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

Conclusion/Support

Management does not monitor the geographic distribution of its lending activity. However, the bank's 1995 and 1996 Home Mortgage Disclosure Act (HMDA) records reveal that 81% and 84%, respectively, of the applications received were from applicants residing within the MSA portions of the delineated community. The 1995 HMDA data also reveal that the bank received 11 applications from residents of the moderate-income census tract within the MSA portion of the community; seven (63%) of these applications were originated. The MSA portion of bank's delineated market contains no low-income geographies and includes only one moderate-income census tract.

An analysis of the geographic distribution of consumer lending was also conducted during the examination. The sample of 35 consumer loans extended in January 1997 revealed that 89% of the loans were to residents of the delineated market. The review of denied applications for consumer credit indicated that in January 1997, 93% of these applications were from residents of the delineated community. Given the institution's size, location, and volume of lending, these percentages reflect a reasonable penetration throughout the delineated community.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

Conclusion/Support

The institution's three offices are reasonably accessible to all segments of the community and hours of operation are considered convenient. No branch offices have been opened or closed since the previous evaluation. However, management has developed a formal policy that outlines the procedures for branch closings as required by the Federal Deposit Insurance Corporation Improvement Act of 1991. The policy encompasses all elements considered responsive to the bank's CRA obligations.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Conclusion/Support

As identified in the CRA Public File, a full range of credit products is offered including residential mortgage, home improvement, small business, commercial, consumer, and community development loans. The following chart depicts the bank's 1996 CRA lending activity, as defined by the Board of Directors, by number and dollar amount.

Description	Number	Amount (000's)
Home Purchase Loans	186	\$15,855
Home Refinance Loans	160	\$8,977
Home Improvement Loans	61	\$599
Loans Secured by Mobile Home	32	\$195
Loans for \$1500 or Less to Individuals	542	\$374
Small Business Loans	42	\$2,935
Commercial Loans	247	\$2,915
Community Development Loans (Gov./ Church)	16	\$3,754
Totals	1,286	\$35,604

In addition to the loans shown in the chart, ten loans totaling \$2.8 million were extended during 1996 for the purchase or improvement of multifamily dwellings. The majority of the number and dollar amounts of loans extended during 1996 were real estate purposes. Lending levels reflect a responsiveness to the most pressing community needs and loan volume appears adequate.

An analysis was also conducted of a sample of consumer loans recently extended. The following chart illustrates the distribution of these loans by income level of the borrower.

Consumer Loan Distribution in Delineated Community by Borrower Income Level					
	Low-Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total of Loans	14	3	6	8	31
% of Total Loans	45%	10%	19%	26%	100%
Total Amount of Loans (000s)	\$32	\$4	\$37	\$67	\$140
% of Total Amount	22%	3%	26%	49%	100%

The volume of lending to low- and moderate-income residents (55%) exceeds the proportion of such families (39%) in the delineated area. Furthermore, the bank's 1995 HMDA data indicates that the bank received 77 applications from low- and moderate-income residents of the MSA portion of the community; 65 (84%) of these applications were originated.

Assessment Factor J - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

Conclusion/Support

The bank does not participate in any governmentally insured, guaranteed, or subsidized loan programs. However, the bank serves its delineated community through direct lending to area residents and businesses.

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Conclusion/Support

Primarily, the institution advertises loan and deposit products through local newspapers and radio stations. In addition, institutional marketing is performed through the promotion of local activities in association with schools, fairs, and fundraising events. Due to the rural nature of the delineated community, word-of-mouth advertising is also utilized and serves as an effective and appropriate marketing strategy.

III. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

Conclusion/Support

Through participation with community groups and dialogue with community leaders and customers, management is generally aware of community development activities within its local market.

Management has continued to support area development through direct lending to local businesses, contractors, individuals, nonprofit organizations, and Government agencies. Some of the loans recently extended for community development purposes include:

A \$40,000 loan, in participation with the West Virginia Economic Development Authority, to remodel a store-front facility and to provide four rental units to house qualified low- or moderate-income individuals.

Financing totaling \$434,356 to the South Putnam Public Service District for water line expansion throughout Putnam County.

Loan to the Town of Milton to refinance its Wastewater Treatment Bonds to allow it to expand services and perform improvements to the system.

Funding to the City of Hurricane for paving streets and operating expenses.

The bank continues to promote and finance business start-up projects. Specifically, seven business start-up loans totaling \$253,167 were originated in 1996. During 1996, \$3.6 million in loans was extended to local churches for permanent financing, construction, and purchase purposes.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Conclusion/Support

Consumers loans for amounts less than \$1,500 are routinely made. Small dollar amount loans frequently satisfy the credit needs of low- and moderate-income applicants. As previously noted, the institution extended 542 small dollar loans totaling \$373,653 during 1996. The institution regularly donates financial and technical assistance to various local organizations, schools, and community groups. Donations totaling \$38,474 have been made to such groups since the previous examination.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

Conclusion/Support

A review was made of written loan policies, forms, procedures, and 53 accepted and 14 denied loan applications for consumer and business credit; and an interview with a loan officer was performed to determine compliance with the fair housing and fair lending laws and regulations. The review of loan files conducted during the examination demonstrated an equal application of credit standards, and no discriminatory credit practices were identified.

However, technical deficiencies involving the Home Mortgage Disclosure Act and Regulation B were noted.

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Conclusion/Support

Adequate policies, procedures, and training have been developed to support nondiscrimination in all lending activities. Applications are solicited from all segments of the delineated community including low- and moderate-income neighborhoods. A review of 1995 HMDA data indicated that less than 1% of mortgage applications where race was available were from minorities. This percentage is consistent with the .9% minority population within the bank's market.

V. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Conclusion/Support

Outreach efforts are considered satisfactory and demonstrate a willingness by the institution to promote community development. In addition to routine social and business contacts, management relies primarily on director, officer, and employee involvement in a variety of business, government, and community organizations to identify local credit needs. Management considers these outreach efforts a valuable method for ascertaining local credit needs and promoting bank services.